

TOWNSHIP OF AMBOY
(Hillsdale)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

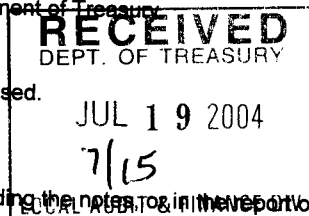
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Amboy	County Hillsdale
Audit Date 3/31/04	Opinion Date 6/9/04	Date Accountant Report Submitted to State: 7/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, in the report of comments and recommendations

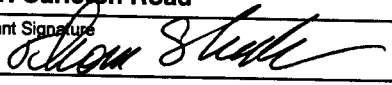


You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Osbourne, March, Condon & Co., P.C.			
Street Address 184 W. Carleton Road		City Hillsdale	State MI
Accountant Signature 		ZIP 49242	Date 7/15/04

TOWNSHIP OF AMBOY

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Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Township Board
TOWNSHIP OF AMBOY
Hillsdale County, Michigan

We have audited the accompanying general purpose financial statements of the TOWNSHIP OF AMBOY, Michigan as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the TOWNSHIP OF AMBOY, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Asset Account Group is not known. Also, the scope of our audit did not include verification of the fund balances at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects on the financial statements of the omission and scope limitation described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the TOWNSHIP OF AMBOY, Michigan as of March 31, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *General Auditing Standards*, we have also issued our report dated June 9, 2004, on our consideration of TOWNSHIP OF AMBOY, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. These reports are an integral part of the audit, and, in considering the results of the audit, these reports should be read along with the auditor's report on the financial statements.

Our audit was conducted for the purpose of forming an opinion on the general purposes financial statements taken as a whole. The combining individual fund financial statements listed in the table of contents as Combining Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the TOWNSHIP OF AMBOY, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Osbourne, March, Condon + co., P.C.

Certified Public Accountants

Hillsdale, Michigan
June 9, 2004

TOWNSHIP OF AMBOY
COMBINED BALANCE SHEET - ALL FUND TYPES
MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPE</u>	
	<u>GENERAL FUND</u>	<u>2002 LAKE DIANE PAVING PROJECT</u>
ASSETS		
Cash and cash equivalents	\$312,511	
Due from other funds	495	
Delinquent taxes receivable	10,695	
Land		
Plant and equipment (net of accumulated depreciation of \$508,285)		
Prepaid insurance	2,100	
Amount to be provided for retirement of long-term debt		
Amount available in Debt Service Fund		
TOTAL ASSETS	<u>\$ 325,801</u>	
LIABILITIES AND FUND EQUITY		
Liabilities		
Due to other funds	\$	\$
Note payable – current portion		
Note payable – long-term		
Bonds payable		
Total Liabilities	\$	\$
Fund Equity		
Retained earnings	\$	\$
Unreserved		
Fund balance		
Reserved		
Prepaid expenses	2,100	
Road improvement	180,838	
Debt retirement		
Unreserved, undesignated	<u>142,863</u>	
Total Fund Equity	<u>\$ 325,801</u>	\$
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 325,801</u>	\$

The accompanying notes are an integral part of these financial statements.

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS</u>
DEBT SERVICE	ENTERPRISE FUNDS	CURRENT TAX FUND	GENERAL LONG-TERM	(MEMORANDUM ONLY)
\$168,484	\$ 401,875	\$495	\$	\$ 883,365
				495
11,869	7,830			30,394
	36,000			36,000
	732,321			732,321
				2,100
			586,516	586,516
			<u>168,484</u>	<u>168,484</u>
<u>\$180,353</u>	<u>\$1,178,026</u>	<u>\$495</u>	<u>\$755,000</u>	<u>\$2,439,675</u>
\$	\$	\$495	\$	\$ 495
	7,540			7,540
	22,620			22,620
			<u>755,000</u>	<u>755,000</u>
<u>\$</u>	<u>\$ 30,160</u>	<u>\$495</u>	<u>\$755,000</u>	<u>\$ 785,655</u>
\$	\$	\$	\$	\$
	1,147,866			1,147,866
				2,100
				180,838
180,353				180,353
				<u>142,863</u>
<u>\$180,353</u>	<u>\$1,147,866</u>	<u>\$</u>	<u>\$</u>	<u>\$1,654,020</u>
<u>\$180,353</u>	<u>\$1,178,026</u>	<u>\$495</u>	<u>\$755,000</u>	<u>\$2,439,675</u>

TOWNSHIP OF AMBOY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL TYPES
YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>			
	GENERAL	2002 LAKE DIANE PAVING PROJECT	DEBT SERVICE	TOTAL MEMORANDUM ONLY
REVENUES				
Taxes	\$151,139	\$	\$144,474	\$295,613
State sources	82,763			82,763
Charges for services	22,370			22,370
Interest revenue	2,142		4,463	6,605
Miscellaneous	1,232			1,232
TOTAL REVENUES	<u>\$259,646</u>	<u>\$</u>	<u>\$148,937</u>	<u>\$408,583</u>
EXPENDITURES				
General government	\$ 71,714	\$	\$	\$ 71,714
Public safety	18,204			18,204
Highway and streets	51,604			51,604
Debt service				
Principal			95,000	95,000
Interest			36,385	36,385
Miscellaneous			951	951
Paving project expenditures		10,848		10,848
TOTAL EXPENDITURES	<u>\$141,522</u>	<u>\$ 10,848</u>	<u>\$132,336</u>	<u>\$284,706</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$118,124</u>	<u>\$(10,848)</u>	<u>\$ 16,601</u>	<u>\$123,877</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$	\$	\$ 10,518	\$ 10,518
Operating transfer (out)		(10,518)		(10,518)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$</u>	<u>\$(10,518)</u>	<u>\$ 10,518</u>	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$118,124</u>	<u>\$(21,366)</u>	<u>\$ 27,119</u>	<u>\$123,877</u>
FUND BALANCE – BEGINNING	<u>207,677</u>	<u>21,366</u>	<u>153,234</u>	<u>382,277</u>
FUND BALANCE – ENDING	<u>\$325,801</u>	<u>\$</u>	<u>\$180,353</u>	<u>\$506,154</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AMBOY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$132,000	\$151,139	\$ 19,139
State sources	89,000	82,763	(6,237)
Charges for services	17,600	22,370	4,770
Interest revenue	700	2,142	1,442
Miscellaneous	<u>700</u>	<u>1,232</u>	<u>532</u>
TOTAL REVENUES	<u>\$240,000</u>	<u>\$259,646</u>	<u>\$ 19,646</u>
EXPENDITURES			
General government	\$ 73,580	\$ 71,714	\$ 1,866
Public safety	21,000	18,204	2,796
Highway and streets	<u>145,420</u>	<u>51,604</u>	<u>93,816</u>
TOTAL EXPENDITURES	<u>\$240,000</u>	<u>\$141,522</u>	<u>\$ 98,478</u>
REVENUES OVER EXPENDITURES	\$	\$118,124	\$118,124
FUND BALANCE - BEGINNING	<u>207,677</u>	<u>207,677</u>	
FUND BALANCE - ENDING	<u>\$207,677</u>	<u>\$325,801</u>	<u>\$118,124</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AMBOY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

	ENTERPRISE FUNDS
OPERATING REVENUE	
Assessments	\$ 85,223
Permits	502
Connection fees	35,950
Delinquent taxes – land sale	12,154
Miscellaneous	<u>1,537</u>
TOTAL OPERATING REVENUES	<u>\$ 135,366</u>
OPERATING EXPENSES	
Labor	\$ 36,363
Payroll taxes	2,781
Depreciation	31,500
Repairs and maintenance	10,587
Septic tank cleaning	2,045
Utilities	2,994
Telephone	749
Insurance	7,640
Mowing	3,810
Bill backs	1,845
Professional fees	267
Laboratory testing	<u>2,100</u>
TOTAL OPERATING EXPENSES	<u>\$ 102,681</u>
OPERATING INCOME	<u>\$ 32,685</u>
NON-OPERATING REVENUE (EXPENSE)	
Interest revenue	\$ 4,080
Interest expense	<u>(1,904)</u>
TOTAL NON-OPERATING REVENUE	<u>\$ 2,176</u>
NET INCOME	<u>\$ 34,861</u>
RETAINED EARNINGS - BEGINNING	<u>\$1,113,005</u>
RETAINED EARNINGS - ENDING	<u>\$1,147,866</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AMBOY
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

	ENTERPRISE FUNDS
CASH FUNDS FROM OPERATING ACTIVITIES	
Operating income	\$ 32,685
Adjustments to reconcile operating income	
Depreciation	31,500
Changes in assets	
Delinquent taxes receivable	285
Prepaid expenses	1,645
Changes in liabilities	
Payroll taxes payable	<u>(254)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 65,861</u>
CASH FLOWS (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payment on note	\$(15,080)
Interest paid on note	<u>(4,188)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCIAL ACTIVITIES	<u>\$(19,268)</u>
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 4,080</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 50,673
CASH AND CASH EQUIVALENTS - BEGINNING	<u>351,202</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$401,875</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Township of Amboy (the "Township") was organized in the 1800's. The Township operates under a part time elected Township Board and provides the following services as authorized by its charter: fire protection, cemetery maintenance, and water and sewer.

The accounting and reporting policies of the Township relating to the funds included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Government Units*. The Township has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting procedures issued after November 30, 1989 in accordance with GASB Accounting and financial Reporting Standards. The more significant accounting policies of the Township are described below.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Government resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. Various funds are grouped, in the financial statements in this report, into fund types as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to record tax revenues and other funds designated for debt retirement and related payments for debt service.

Capital Projects Fund

The Capital Projects Fund (2002 Lake Diane Paving Project) accounts for financial resources to be used for the acquisition or construction of major projects by the Township.

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUNDS

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity. These include Agency Funds, which are custodial in nature, and do not involve measurement of results of operations.

ACCOUNT GROUP

General Long-Term Debt Account Group – This account group is established to account for all long-term debt of the Township and for those long-term liabilities to be liquidated with resources to be provided in future periods.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. Exceptions to this general rule include principal; and interest on general long-term debt which is recognized when due.

All governmental funds are accounted for on a spending or "current financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available, spendable resources." Available, for purposes of revenue recognition in governmental funds, is defined as any resource to be receipted within sixty days. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The Township applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY DATA

The Township is required by state statute to adopt annual budgets for the general fund before April 1 for the ensuing year. The budget may be amended at any time by the Township Council. Actual expenditures may not legally exceed budgeted amounts nor may the Township budget a fund deficit.

CASH EQUIVALENTS

All accounts and deposits with original maturity of three months or less from date of acquisition are considered to be cash for Statement of Cash Flow purposes.

RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

FUND EQUITY

The unreserved-undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for Proprietary Funds represent the net assets available for future operations or distribution. Reserved fund balances and retained earnings represent the net assets that have been legally identified for specific purposes. Long-term advances from the General Fund to other funds are reserved to show the amount of fund balance not currently available for expenditures. Designated fund balances represent tentative plans for future use of financial resources.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. The Township collects its own property taxes as well as taxes for the county, school district and intermediate school district. Township property tax revenues are recognized when levied to the extent that they result in current receivables.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, damage or destruction, errors and omissions, and injuries to employees. The Township has purchased commercial insurance to adequately cover these risk areas. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

TOTAL COLUMN ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

NOTE 2: CASH AND CASH EQUIVALENTS

At March 31, 2004, the book value of the Township's demand and time deposits, consisting primarily of checking, savings accounts, and certificates of deposit was \$883,365 with a corresponding bank balance of \$929,111. Qualifying demand and time deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each deposit type per bank. Of the bank's balance, \$501,855 is insured and the remaining \$427,256 is uninsured and uncollateralized.

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (a) bonds and other direct obligations of the United State or its agencies;
- (b) certificates of deposit, savings accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146);
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time;
- (d) United State government or Federal agency obligation repurchase agreements;
- (e) bankers' acceptance of United States banks;
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Township's investments are in accordance with statutory authority at March 31, 2004.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at historical cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The components of property, plant and equipment are as follows:

	LAKE DIANE SEWER FUND	MERRY LAKE SEWER FUND	TOTAL
Land	\$ 36,000	\$	\$ 36,000
Plant and equipment	<u>808,000</u>	<u>432,606</u>	<u>1,240,606</u>
	<u>\$844,000</u>	<u>\$432,606</u>	<u>\$1,276,606</u>

Depreciation expense is recorded as an operating expense in the two funds. Depreciation expense of \$21,100 and \$10,400 was recorded for the year ended March 31, 2004 in the Lake Diane Sewer Fund and the Merry Lake Sewer Fund, respectively.

NOTE 4: LONG-TERM DEBT

The following is a schedule of long-term debt as of March 31, 2004:

Note payable, Montpelier National Bank, secured by Township assets, payable in annual installments ranging from (\$8,000 to \$10,000), including interest at a rate of 5.05%, through April 1, 2008	\$ 7,540
Less: current portion of long-term debt	<u>22,620</u>
LONG-TERM DEBT	<u>\$30,160</u>

The following is a schedule of principal maturities as of March 31, 2004:

YEAR ENDING MARCH 31	
2005	7,540
2006	7,540
2007	7,540
2008 and thereafter	<u>7,540</u>
	<u>\$30,160</u>

TOWNSHIP OF AMBOY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE 5: SEGMENT INFORMATION FOR PROPRIETARY FUNDS

The Township maintains two enterprise funds. Segment information for the year ending March 31, 2004 is as follows:

	LAKE DIANE SEWER FUND	MERRY LAKE SEWER FUND	TOTAL ENTERPRISE FUND
Operating revenues	\$ 92,414	\$ 42,952	\$ 135,366
Depreciation expense	21,100	10,400	31,500
Operating income (loss)	37,817	(5,132)	32,685
Non-operating revenues	919	3,161	4,080
Non-operating expenses	1,904		1,904
Net income (loss)	36,832	(1,971)	34,861
Total assets	842,824	335,202	1,178,026
New working capital	192,391	209,774	402,165
Total equity	812,644	335,202	1,147,866

NOTE 6: CURRENT TAX COLLECTION

	TAX COLLECTION FUND			
	APRIL 1, 2003	ADDITIONS	DEDUCTIONS	MARCH 31, 2004
ASSETS				
Cash	<u>\$1,575</u>	<u>\$1,282,876</u>	<u>\$1,283,956</u>	<u>\$495</u>
LIABILITIES				
Due to General Fund	<u>\$1,575</u>	<u>\$1,282,876</u>	<u>\$1,283,956</u>	<u>\$495</u>

TOWNSHIP OF AMBOY
GAO GOVERNMENT AUDITING STANDARDS REPORTS
YEAR ENDED MARCH 31, 2004

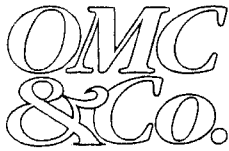
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Osbourne, March, Condon & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board
TOWNSHIP OF AMBOY – Hillsdale County
Hillsdale, Michigan

We have audited the financial statements of Township of Amboy as of and for the year ended March 31, 2004, and have issued our report thereon dated June 9, 2004. In our report, our opinion was qualified because the general purpose financial statements omit the general fixed asset group of accounts, which is a departure from Generally Accepted Accounting Principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Amboy general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Amboy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclosed all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Township of Amboy in a separate letter dated June 9, 2004.

This report is intended for the information of the Township Board, Management, and State Awarding Agencies. However, this report is a matter of public record and its distribution is not limited.

astourne, March, Condon + co., P.C.,

Certified Public Accountants

Hillsdale, Michigan
June 9, 2004